

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

SECURITIES AND EXCHANGE) Docket No. A 20-CA-273 RP
COMMISSION)
vs.) Austin, Texas
META 1 COIN TRUST, ROBERT)
P. DUNLAP, INDIVIDUALLY)
AND D/B/A CLEAR)
INTERNATIONAL TRUST,)
NICOLE BOWDLER, AND)
DAVID A. SCHMIDT) July 22, 2020

TRANSCRIPT OF VIDEOCONFERENCE SHOW CAUSE HEARING
BEFORE THE HONORABLE ROBERT L. PITMAN

APPEARANCES:

For the Plaintiff: Mr. James E. Etri
Ms. Jennifer D. Reece
Securities & Exchange Commission
801 Cherry Street, 19th Floor
Fort Worth, Texas 76102

For the Defendant: Mr. David A. Schmidt
Pro Se
2519 North Ocean Boulevard,
Suite 413
Boca Raton, Florida 33432

Court Reporter: Ms. Lily Iva Reznik, CRR, RMR
501 West 5th Street, Suite 4153
Austin, Texas 78701
(512) 391-8792

Proceedings reported by computerized stenography,
transcript produced by computer-aided transcription.

1 THE COURT: If the clerk will call the case and
14:10:05 2 if you could make announcements for the record, please.

14:10:05 3 THE CLERK: A-20-CV-273, Securities And Exchange
14:10:11 4 Commission vs. Meta 1 Coin Trust, and others, for show
14:10:16 5 cause hearing.

14:10:21 6 MS. REECE: Good afternoon, your Honor.

14:10:22 7 This is Jennifer Reese appearing for the
14:10:25 8 plaintiff. And I believe Jim Etri is also on the line.

14:10:32 9 THE COURT: Mr. Etri, are you on the line? I
14:10:38 10 think you're muted.

14:10:41 11 MR. ETRI: Yes. I'm online.

14:10:42 12 THE COURT: Okay. Thank you very much.

14:10:44 13 And, Mr. Schmidt, are you there online?

14:10:51 14 MR. SCHMIDT: Yes, I'm here.

14:10:51 15 THE COURT: All right. Good afternoon, Mr.
14:10:53 16 Schmidt, and thank you for joining us today.

14:10:55 17 So let me start off by saying that I regret that
14:10:59 18 it took what it did to get your attention and to get you
14:11:03 19 to appear. I don't know that I need to give you a full
14:11:09 20 recap. Obviously you have not been responsive to the
14:11:13 21 orders of the Court for several months now, and in the
14:11:17 22 absence of any appearance, you were found in contempt by
14:11:21 23 this court.

14:11:23 24 So, I mean, if it's not apparent by now, if you
14:11:27 25 believe that the Court doesn't have jurisdiction or that

14:11:30 1 you have some sort of immunity, which you have suggested
14:11:33 2 at some point, the way to bring that to my attention and
14:11:37 3 to have me consider that is to respond to the orders of
14:11:41 4 the Court, because that's the only way I have to see
14:11:44 5 whether or not the things you're saying have merit; and
14:11:47 6 when you don't appear and you don't respond to the orders
14:11:50 7 of the Court, then the only recourse I have is the one I
14:11:54 8 took.

14:11:55 9 Regrettably, the timing was about the worst it
14:11:58 10 could have been because my intention was and the intention
14:12:02 11 of a contempt -- a civil contempt finding is to hold
14:12:06 12 someone in contempt until such time as they do comply with
14:12:10 13 the Court's order so they -- the intention was that you
14:12:15 14 would be brought to Austin to appear before me so that we
14:12:18 15 could sort that out. It was terrible timing because of
14:12:22 16 the coronavirus and you were in the wrong place at the
14:12:26 17 wrong time and I kept asking where you were and the
14:12:29 18 marshals kept telling me that they were -- it was
14:12:33 19 impossible to transport you.

14:12:34 20 And so, finally, on my own, I said, you know
14:12:38 21 what, enough is enough, let's get him out of there and
14:12:41 22 give him an opportunity to make this right. And so,
14:12:45 23 that's kind of where we are now.

14:12:49 24 Let me ask the SEC to give me an update on sort
14:12:54 25 of where -- what their perspective is about whether or not

14:12:57 1 you have appropriately responded to the orders of the
14:13:00 2 Court so that I have the best up-to-date knowledge.

14:13:03 3 Ms. Reece, would you like to give me an update?
14:13:06 4 MS. REECE: Yes, sir.

14:13:08 5 There has been no response whatsoever. He was
14:13:12 6 released from custody on Monday, I believe, and the very
14:13:15 7 next day, he was back on YouTube posting a video about his
14:13:21 8 arrest and his future plans for more workshops and making
14:13:25 9 a number of misrepresentations, including, you know, that
14:13:31 10 he never scammed anyone, he never received a dime from
14:13:36 11 anyone, which is demonstrably false. He was, you know,
14:13:39 12 promising to reschedule these investor workshops as soon
14:13:45 13 as the coronavirus made it possible to do so and generally
14:13:47 14 kind of lulling investors into this sense of security that
14:13:52 15 everything's fine, don't worry about it, I'm released.

14:13:54 16 Misrepresented the nature of his arrest or that
14:13:58 17 he was arrested because he didn't appear for a court
14:14:00 18 hearing, which, of course, was not true. Did exacerbate
14:14:05 19 matters but, of course, the contempt was based on a lot
14:14:08 20 more than that. He has never filed an accounting. He's
14:14:11 21 never gotten in touch with me about anything to ask for
14:14:16 22 more time or for anything like that. And so, that's kind
14:14:20 23 of his story and at the same time, as far as the scheme is
14:14:23 24 concerned, the Meta 1 website is still up and running.

14:14:29 25 Since the initial TRO, the Court's initial order

1 in March, they have posted almost daily, as we told the
2 Court earlier, that's continued. There's been over 100
3 YouTube videos up and they're still up, accessible
4 worldwide. Meta 1 continues to communicate to investors
5 in newsletters -- regular e-mail newsletters. Notably in
6 July, there were a couple of newsletters that went out
7 about Mr. Schmidt's arrest saying that he had been
8 illegally detained and falsely stating that the, you know,
9 Meta 1 legal team was all over it and that they were
10 working on his release, which was imminent.

11 Of course, we've heard not one thing from a
12 single lawyer on this, let alone any kind of legal team.
13 And kind of portraying Mr. Schmidt as like a, quote,
14 freedom fighter. This was a direct quote from the
15 newsletter that went out to investors saying that, you
16 know, he's been illegally detained and that history has
17 shown that freedom fighters have been imprisoned by those
18 that opposed anyone standing up for rights or justice, et
19 cetera.

20 On July 14th, there was another newsletter that
21 went out to investors with continuing lulling statements
22 about how this deployment was going and indicating that
23 there's no issues and whatnot, saying things like the Meta
24 1 coins are minted and in a vault. Again, we're talking
25 about a crypto currency so I don't even understand what

14:16:04 1 that means.

14:16:05 2 And then, in terms of the asset freeze kind of in
14:16:09 3 addition to other contemptuous acts, we know they're
14:16:14 4 taking in money from investors. I hear from investors all
14:16:16 5 the time. They're taking in money, they're soliciting
14:16:20 6 money and I know they're spending money to live because
14:16:22 7 they've got -- at a minimum, they get groceries and
14:16:26 8 nobody's ever come to me asking for any relief from the
14:16:29 9 Court's asset freeze.

14:16:31 10 So I don't know -- of course, since we've had no
14:16:34 11 communication from the defendants, I can't -- I'm not in a
14:16:36 12 position to say where they're getting the money or where
14:16:39 13 they're depositing investor money. But that's one of the
14:16:42 14 main things, your Honor, that's so -- that's such a
14:16:46 15 problem is because we need someone to tell us where
14:16:50 16 investor money is being held so that we can continue to
14:16:54 17 try to marshal those assets and get them back to
14:16:57 18 investors.

14:16:58 19 THE COURT: Thank you.

14:16:58 20 Mr. Schmidt, would you like to respond to that?

14:17:01 21 MR. SCHMIDT: Yes, I would.

14:17:02 22 Your Honor, my understanding is that I am here
14:17:04 23 based on your order and also, the day after I was arrested
14:17:07 24 from the order that came from Magistrate William Matthew
14:17:12 25 that I'm here to answer two questions. And first of all,

14:17:15 1 I want to make it clear, I am not Meta 1. I am David
14:17:21 2 Schmidt, Dave Schmidt and I have absolutely nothing,
14:17:24 3 nothing to do with Meta 1's finances, administration, and
14:17:28 4 all of those things.

14:17:29 5 The only thing I have ever done is promoted and
14:17:34 6 talked about Meta 1 because I believe in what they do. I
14:17:37 7 want to be very clear, Ms. Reece. I have never received a
14:17:41 8 dime from Meta 1. Never. I have not taken in any
14:17:45 9 financial compensation. They have never paid me any
14:17:48 10 money. I've never received any money. I have only talked
14:17:52 11 about Meta 1.

14:17:53 12 And, your Honor, if I may address the two
14:17:55 13 questions I was asked to address, I'm required to -- I'm
14:17:59 14 reading right from, you know, your statement. I am
14:18:02 15 required to provide a sworn accounting of investor funds.
14:18:05 16 I can't. I don't know how many clients Meta 1 has. I
14:18:09 17 don't know how much money they have. I don't know what
14:18:11 18 banks they are using. I don't know the names of the
14:18:14 19 banks. I don't know the bank account numbers. I have
14:18:16 20 never had any access whatsoever to Meta 1's finances. I
14:18:22 21 have no financial contracts with them. I have no legal
14:18:25 22 contracts with them and I have never been involved in
14:18:27 23 their administration.

14:18:28 24 So I can't answer that question when I've never
14:18:31 25 had access to their finances. What -- I made some

14:18:36 1 misjudgments in the past. I'm willing to admit that. But
14:18:39 2 I wanted to be here separate than Mr. Dunlap and Meta 1.
14:18:44 3 What he does is his business. That is not me. That is
14:18:47 4 not mine because I am not Meta 1.

14:18:51 5 The second question is that I was to basically
14:18:56 6 cease marketing, selling Meta 1 coin, discontinuing Meta
14:18:59 7 1's operations, stop creating marketing videos, and stop
14:19:01 8 e-mailing the putative investors. I can't stop anything
14:19:04 9 I've never done. What I do -- my newsletters, you could
14:19:09 10 see my name on the back of the Cosmic Connections, I have
14:19:13 11 almost 16,000 people on my e-mail list. I have between 6
14:19:18 12 and 8,000 people who read my newsletters that I put out
14:19:21 13 each week. When I did the one last night, that is to my
14:19:24 14 list, not Meta 1's list. I have nothing to do with -- let
14:19:28 15 me address each one of those if I can go back.

14:19:32 16 I have never, ever sold a Meta 1 coin. Never. I
14:19:38 17 have never been marketing. Now, marketing to me is when
14:19:42 18 you are making statements with an intention to receive a
14:19:45 19 financial remuneration. I have promoted Meta 1. I talked
14:19:50 20 about Meta 1. I've had Mr. Dunlap on my radio programs.
14:19:54 21 I've had about 200 versions of my program and I basically
14:19:56 22 have had him on as a guest about four or five times. And
14:20:00 23 I've had him in my workshops that I do but my workshops
14:20:03 24 are not about Meta 1. It's entirely different stuff.
14:20:06 25 Meta 1 is only a part of what I do. I can't -- I don't

14:20:10 1 sell Meta 1 coins. I'm supposed to discontinue Meta 1's
14:20:13 2 operations. I've never been involved with Meta 1's
14:20:16 3 operations. I don't know who their staff is that does
14:20:17 4 those operations.

14:20:18 5 Stop creating marketing videos. I don't know who
14:20:21 6 their staff is that puts those videos together. Their
14:20:24 7 videos are their videos, not my videos. And I'm to stop
14:20:28 8 e-mailing their putative investors. My e-mail list is my
14:20:32 9 list. Meta 1's list is their list. We have never
14:20:35 10 combined the lists. Now, there are some people from my
14:20:37 11 list that are part of Meta 1, but that is their individual
14:20:41 12 choice.

14:20:43 13 People choose to make their choices of what they
14:20:45 14 want to do because I said I believed in what they do. The
14:20:48 15 legal issues are something that's different. But so when
14:20:52 16 I'm here, I'm being thrown in with Meta 1 when I have
14:20:55 17 nothing to do with Meta 1 other than talking about them.
14:20:57 18 I think that's pretty much my statement, your Honor.

14:20:59 19 THE COURT: Okay. Well, let me suggest to begin
14:21:02 20 with, assuming all or any of that is true, you were in a
14:21:06 21 perfect position to tell me all of that several months ago
14:21:10 22 when you were asked those questions and given a full
14:21:15 23 opportunity to say everything you've just said. You
14:21:17 24 didn't and you never contested the things that they were
14:21:21 25 saying. You never gave me your side of the story, which

14:21:25 1 I'm eager to hear.

14:21:26 2 Look, I don't look for ways to put people in
14:21:32 3 custody. I'm trying to think, I think you're the first
14:21:35 4 person in my career that I have ever put into custody on a
14:21:38 5 civil contempt charge. It's very unusual and it's not
14:21:41 6 something I wanted to do. But at some point, because you
14:21:44 7 simply were stonewalling me and not responding, that's all
14:21:48 8 I could do.

14:21:50 9 So I'll give you the full opportunity to make
14:21:54 10 those representations in a -- in the context of this
14:21:59 11 lawsuit and what I mean by that is, you are a properly
14:22:04 12 served and named defendant of a lawsuit that is pending in
14:22:08 13 my court and when that happens, you have certain
14:22:10 14 responsibilities. I would advise you, of course, to get
14:22:14 15 legal counsel and that's always best to have someone
14:22:17 16 looking out for your interests and to -- if there are
14:22:20 17 deficiencies in jurisdiction or if there are immunity
14:22:24 18 issues or anything else that you suggest, those are things
14:22:26 19 that you or someone on your behalf need to bring to my
14:22:30 20 attention so that I can properly consider those and
14:22:32 21 believe me, I will. That's my job.

14:22:36 22 MR. SCHMIDT: If I may.

14:22:36 23 THE COURT: Let me just finish and then, I'll
14:22:39 24 give you an opportunity. What I would suggest is that,
14:22:42 25 you know, now that you're communicating and now that you

1 seem to be engaged in the process, I would encourage you
2 to get legal counsel so that they can tell you sort of the
3 best way to bring those things to my attention so that if
4 all or some of that that you just told me is true and that
5 you, in fact, are not in violation of the Court's order,
6 then you need to get that in front of me in an appropriate
7 fashion. You need to be participating in this litigation
8 and I will give you the heads up. Part of what will
9 happen is that the SEC will have the opportunity to engage
10 in discovery and that is to ask questions, either written
11 or verbal questions, to get into some of those issues.

12 And I haven't prejudged any evidence and if you
13 in a proper format within the context of this litigation
14 get all of that in front of me and I find that you have
15 not violated these court's order or that I shouldn't have
16 awarded those in the first place, I'm all ears. But
17 you've gotta engage and that's what you're doing today and
18 I appreciate that.

19 But I will tell you this, too. You've gotta
20 engage and if you don't, you got your chance and I have to
21 tell you, nobody asked me to let you out. You know,
22 nobody's contacted me on your behalf, no legal counsel or
23 anyone else. It's just I got to inquiring and I thought,
24 you know what, it's not right that this guy has not been
25 given the opportunity to get to Austin to appear in front

14:24:13 1 of me. And so, I hope you take that as a gesture that I
14:24:17 2 am -- I feel strongly about your ability to be able to do
14:24:20 3 and say the things you just did.

14:24:22 4 But you've gotta do it in the context of this
14:24:24 5 litigation and I hope you've gotten a taste of what will
14:24:28 6 happen if you don't. Because what I don't want and what I
14:24:32 7 don't think anybody wants is for you to end up back where
14:24:35 8 you were. Now, this is not a time for that. And this is
14:24:38 9 not a good time at all -- there's never a good time to be
14:24:41 10 in custody but especially now and especially in Florida.

14:24:45 11 So I don't want to go back to that place. I
14:24:48 12 don't want to get into that situation. So really, what I
14:24:52 13 would encourage you to do is to get legal counsel, step
14:24:55 14 back and say, what should I have done in the beginning in
14:24:57 15 the context of this lawsuit to properly respond to
14:25:01 16 properly get these things in front of the judge so that
14:25:03 17 the judge will be able to consider the things that I need
14:25:08 18 him to consider.

14:25:09 19 Do you understand?

14:25:10 20 MR. SCHMIDT: I do. I think my past actions,
14:25:13 21 looking back, it was an obvious oversight and mistake on
14:25:16 22 my part. I was letting Mr. Pitman take the lead and I've
14:25:19 23 said I'm not doing that anymore.

14:25:21 24 THE COURT: Mr. Who?

14:25:23 25 MR. SCHMIDT: Mr. Pitman of Meta 1. Robert

14:25:26 1 Pitman of Meta 1.

14:25:27 2 THE COURT: No. I'm Robert Pitman.

14:25:29 3 MR. SCHMIDT: Excuse me, I mean Robert Dunlap.

14:25:31 4 THE COURT: Please don't get us confused.

14:25:33 5 MR. SCHMIDT: I'm sorry. My mistake. I was
14:25:34 6 allowing him to take the lead because he was the primary
14:25:38 7 person that was involved and I began to realize, wait a
14:25:41 8 minute, this isn't working, I need to totally separate
14:25:44 9 myself from him. I need to take care of myself. And so,
14:25:47 10 I am here to be a part of the process. I'm here to work
14:25:50 11 with the process and I'm here, you know, to answer the
14:25:52 12 questions that are there and I'll do the best that I can.

14:25:55 13 But I do want to reiterate, I am not Meta 1. I
14:25:59 14 have nothing to do with Meta 1 on a legal, financial, or
14:26:02 15 administrative issues whatsoever. All I've done is talked
14:26:06 16 about them on my programs and I've had Mr. Dunlap on as a
14:26:11 17 guest on my programs and in workshops and that's it. I
14:26:15 18 have -- I don't know their finances and I don't know the
14:26:17 19 legal structure and I don't know their administration's
14:26:19 20 structure.

14:26:20 21 THE COURT: Okay. And I'll take that at face
14:26:21 22 value at this point, but let me just tell ya that there is
14:26:25 23 a -- an order in effect that orders you not to market or
14:26:34 24 attempt to sell. And by market, I don't interpret market,
14:26:39 25 just for your information, the same way you do. I don't

14:26:41 1 care whether you're being paid or not. If you do anything
14:26:44 2 that I consider to be marketing the Meta 1 coin or make
14:26:47 3 any false or misleading statements, whether you're being
14:26:51 4 paid for it or not, whether you're a principal in Meta 1
14:26:55 5 or not, I will consider that to be a violation of the
14:26:59 6 order that was entered in this case.

7 (Proceedings concluded.)
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UNITED STATES DISTRICT COURT)
WESTERN DISTRICT OF TEXAS)

I, LILY I. REZNIK, Certified Realtime Reporter,
Registered Merit Reporter, in my capacity as Official
Court Reporter of the United States District Court,
Western District of Texas, do certify that the foregoing
is a correct transcript from the record of proceedings in
the above-entitled matter.

I certify that the transcript fees and format comply
with those prescribed by the Court and Judicial Conference
of the United States.

WITNESS MY OFFICIAL HAND this the 15th day of October,
2023.

Lily Iva Reznik
~~~~~  
*LILY I. REZNIK, CRR, RMR*  
*Official Court Reporter*  
*United States District Court*  
*Austin Division*  
*501 West 5th Street,*  
*Suite 4153*  
*Austin, Texas 78701*  
*(512) 391-8792*  
*SOT Certification No. 4481*  
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